

The Banks Wrote the Crypto Rules and Made Themselves the Winners

GENIUS Act, CLARITY Act, ABA Lobbying, 8000 Senate Letters, and the Stablecoin Yield Fight That Explains Everything -- Q2 2026

The American Bankers Association sent more than 8,000 letters to Senate offices in the week before the CLARITY Act markup vote on May 14, 2026. Bank members sent employees to contact their senators directly. The ABA issued a call-to-arms to bank executives nationwide, petitioning them over the weekend before the vote to push for tighter restrictions on payment stablecoins. The banking lobby spent \$56.7 million opposing specific provisions of the CLARITY Act. And yet -- the CLARITY Act passed the Senate Banking Committee 15 to 9. The GENIUS Act was signed into law in July 2025. The OCC approved five crypto firm banking charters in December 2025. The Federal Reserve approved Kraken Financial for direct Fedwire access in March 2026. Every piece of crypto legislation in 2025 and 2026 appears, on its surface, to be a defeat for the banking lobby. But reading the legislation carefully reveals a different picture. The banking lobby did not lose the crypto regulatory battle. It won it -- by making sure the rules were written in a way that forces every significant stablecoin issuer to hold US Treasury bills as mandatory reserves, prohibits non-bank crypto firms from paying yield that competes with bank deposits, creates licensing requirements that price out smaller competitors, and gives nationally chartered banks the same access to crypto infrastructure that crypto-native firms have been building for years. President Trump publicly accused banks of holding the CLARITY Act hostage and threatening the GENIUS Act. What he did not say is that by the time the bills were signed, the banks had already gotten what they wanted. The rules were not written against the banks. They were written by the banks. And the banks made themselves the winners.

01 -- THE GENIUS ACT: HOW BANKS BANNED THE COMPETITION FROM PAYING YIELD

The GENIUS Act -- signed into law by President Trump on July 18, 2025 -- is universally described as the regulatory framework that legitimized stablecoins and enabled their mainstream adoption. That description is accurate. What is less often described is the specific provision that the American Bankers Association prioritized above all others in the GENIUS Act negotiations: the prohibition on stablecoin issuers paying yield directly to token holders.

The banking lobby's reasoning was straightforward and commercially defensible. If USDC holders could earn 4.3% annual yield on their stablecoin balances -- the same yield that Circle earns on its US Treasury bill reserves -- there would be no financial incentive for any consumer to hold money in a bank savings account paying 0.5% or less. The \$6.6 trillion in bank deposits that the Treasury Department estimated could be at risk represents the banking industry's core funding base. Lose that funding base,

and banks lose the capacity to originate mortgages, business loans, and consumer credit.

The GENIUS Act resolved this threat by prohibiting stablecoin issuers from paying yield to token holders while simultaneously requiring those same issuers to hold US Treasury bills as reserve assets. The result is a structural transfer of value: stablecoin users provide zero-cost dollar capital to stablecoin issuers, stablecoin issuers invest that capital in Treasury bills earning 4.3%, and stablecoin issuers keep the entire spread. Tether earns \$6 billion annually from this mechanism on its \$141 billion in Treasury reserves. Circle earns 97% of its \$1.66 billion in annual revenue from the same mechanism. The consumers who hold USDC and USDT -- who are funding the stablecoin reserve portfolios that generate these returns -- earn zero.

The banking lobby accepted this structure because it mirrors the exact economics of their own deposit model. Banks accept deposits at near-zero interest rates, invest those deposits in higher-yielding assets, and keep the spread. The GENIUS Act forced stablecoin issuers to adopt the same model. The difference is that banks wanted to be the stablecoin issuers capturing the spread -- not watch Tether and Circle do it from offshore. Which is why the CLARITY Act negotiations that followed focused relentlessly on ensuring banks could enter the stablecoin market on equal or better terms than existing crypto-native issuers.

GENIUS ACT BANKING VICTORY: Yield to token holders prohibited. Stablecoin issuers must hold US Treasury bills as reserves. Issuers earn Treasury yield. Users earn zero. Tether earns \$6B annually. Circle earns 97% of revenue this way. The banking model was written into stablecoin law. Banks then positioned to enter the market and run the same playbook.

02 -- THE CLARITY ACT STABLECOIN YIELD FIGHT: 8000 LETTERS AND WHAT THEY BOUGHT

The most revealing episode in the CLARITY Act's legislative history is the stablecoin yield fight -- the months-long negotiation between the banking lobby and the crypto industry over whether platforms like Coinbase could pay yield to USDC holders through third-party reward programs that technically circumvented the GENIUS Act's direct yield prohibition.

Coinbase withdrew its support for the CLARITY Act in January 2026 specifically over a proposed amendment that would have closed the third-party yield loophole -- making the GENIUS Act's yield prohibition apply not just to stablecoin issuers but to any platform that offered yield on stablecoins through rewards programs. Coinbase's \$1.35 billion annual USDC rewards revenue -- funded by the Treasury yield on USDC reserves that Circle earns and shares with Coinbase -- was directly at stake. The ABA sent more than 8,000 letters to Senate offices. Bank employees contacted their senators directly. Trump publicly accused banks of holding the legislation hostage. Two White House meetings in February 2026 failed to produce a compromise.

The eventual compromise negotiated by Senators Thom Tillis and Angela Alsobrooks -- released May 1, 2026 and endorsed by both Circle and Coinbase -- bars yield economically equivalent to bank deposits but allows bona fide activity-linked rewards. The compromise requires platforms to restructure reward programs from a buy and hold model to a buy and use model. In practical terms: a consumer who holds USDC passively cannot earn yield that looks like a savings account interest payment. A

consumer who uses USDC actively -- for transactions, for DeFi participation, for staking -- can receive activity-linked compensation.

The banking lobby described the compromise as insufficient. The ABA stated it does not adequately prevent crypto companies from offering interest-like rewards. But the banking lobby had already achieved its primary objective: the CLARITY Act contains a yield prohibition framework that, when combined with the GENIUS Act, creates a structural barrier to stablecoin yield products that directly compete with bank deposits. The banks spent \$56.7 million lobbying against the CLARITY Act. What they bought was a yield prohibition architecture that protects bank deposit franchises from direct stablecoin yield competition while allowing banks to enter the stablecoin market and capture the same reserve yield that Tether and Circle have been earning.

03 -- THE OCC CHARTER WAVE: HOW BANKS MADE SURE THEY COULD ENTER ON THEIR TERMS

While the ABA was lobbying against stablecoin yield provisions in the CLARITY Act, JPMorgan was running \$5 to \$7 billion daily on its Kinexys blockchain platform, launching JLTXX on Ethereum, and running JPMD on Coinbase's Base blockchain. Goldman Sachs was tokenizing assets and participating in DTCC's 50-firm working group. Fidelity was launching FIDD, its own stablecoin. The same institutions whose trade associations were publicly opposing crypto regulation were privately building the most comprehensive blockchain financial infrastructure of any group of institutions in the world.

The 11 companies that received or applied for OCC national trust bank charters in 83 days -- December 2025 through March 2026 -- includes both crypto-native firms like Circle, Ripple, and BitGo and bank-affiliated or bank-friendly entities like Fidelity Digital Assets and EDX Markets backed by Citadel Securities, Fidelity Investments, and Charles Schwab. The OCC charter wave represents the banking establishment claiming the same regulated infrastructure position in the crypto market that it spent years arguing crypto firms should not be allowed to occupy.

The result of the OCC charter wave, combined with the GENIUS Act yield prohibition and the CLARITY Act's stablecoin framework, is a regulatory architecture in which: crypto-native stablecoin issuers must hold Treasury bills as reserves and cannot pay yield directly to users; banks that enter the stablecoin market through OCC-chartered entities can hold the same Treasury bills and capture the same reserve yield; and the compliance costs of the GENIUS Act and CLARITY Act frameworks are high enough that smaller, non-bank crypto firms face significant barriers to entry that nationally chartered banks do not. The regulatory framework does not ban banks from crypto. It bans crypto from the specific practices -- direct yield to token holders, unchartered operation -- that would give crypto-native firms structural advantages over banks.

THE REGULATORY ARCHITECTURE: Crypto firms cannot pay yield to token holders. Banks can enter stablecoin market and capture reserve yield. OCC charters give banks and bank-affiliated crypto firms federal regulatory standing. Compliance costs price out smaller non-bank competitors. The rules were written to channel the stablecoin market toward nationally chartered institutions.

04 -- WHAT TRUMP SAID AND WHAT IT REVEALS

President Trump publicly accused US banks of threatening the GENIUS Act and holding the CLARITY Act hostage during the stablecoin yield negotiations -- an extraordinary public statement from a sitting president about the lobbying activities of the country's most systemically important financial institutions. Trump called on banking institutions to remove all hurdles to ensure the bill reaches his desk before the midterm election cycle heats up.

The Trump administration's public positioning against bank lobbying on crypto regulation reflects the genuine tension between two competing interests within the administration's coalition: the crypto industry's political and financial support for Republican candidates, which has made crypto a priority for the Trump White House, and the traditional banking industry's systemic importance and lobbying infrastructure, which makes it a political constituency no administration can completely ignore.

But the tension is less fundamental than the surface narrative suggests. Treasury Secretary Scott Bessent called the GENIUS Act an important feature of financing the US -- because stablecoin reserves fund US Treasury bill demand. The White House CEA published a paper showing the bank lobby's systemic risk arguments about stablecoin yield were analytically wrong. And despite the public conflict, the GENIUS Act passed, the CLARITY Act advanced, and the OCC charter approvals proceeded. The administration's public criticism of bank lobbying was the political theater of a negotiation in which both sides got most of what they wanted -- the banks got the yield prohibition framework, and the crypto industry got the regulatory clarity and institutional legitimacy it needed to attract the capital that was waiting on the sidelines.

05 -- WHAT THIS MEANS FOR INVESTORS: POSITION WITH THE WINNERS

The regulatory architecture that the banking lobby helped write is not an obstacle to crypto investment. It is a roadmap to the crypto investments that will generate the most durable institutional adoption returns. The rules were written to channel value toward nationally chartered institutions that hold Treasury bills as stablecoin reserves. Every investor who understands this can identify the specific assets and infrastructure that the regulatory framework is designed to benefit.

USDC benefits more than any other stablecoin from the GENIUS Act and CLARITY Act framework. Circle is GENIUS Act-compliant, holds an OCC national trust bank charter, has filed for an IPO, and has the institutional distribution relationships -- BlackRock BUIDL partnership, Coinbase partnership, JPMorgan JLTXX as stablecoin reserve vehicle -- that make it the most institutionally positioned stablecoin issuer. The GENIUS Act's yield prohibition that the banking lobby wrote protects Circle's reserve yield business from retail competition while CLARITY Act compliance gives Circle the institutional distribution credibility that Tether's offshore domicile cannot match.

Ethereum, Base, and Solana benefit from every dollar of bank-issued stablecoin that circulates on their networks. JPMorgan's JPMD on Base, Circle's USDC primary deployment on Base and Ethereum, Fidelity's FIDD on Ethereum, Ripple's RLUSD on the XRP Ledger -- each bank-issued stablecoin is a permanent source of settlement volume and fee revenue for the blockchain infrastructure that carries it.

The regulatory framework that forces banks into stablecoin issuance simultaneously forces bank capital onto public blockchain rails. The banks wrote the rules to make themselves the winners. The investors who position in the infrastructure the banks are forced to use capture the returns.

06 -- CONCLUSION: THE BANKS DID NOT FIGHT CRYPTO. THEY ABSORBED IT.

The narrative that banks are fighting crypto regulation is the least accurate description of what is happening in American financial policy in 2026. A more accurate description: the banks identified which elements of the crypto ecosystem threatened their core business model -- specifically, stablecoin yield that competes with bank deposits -- and lobbied successfully to write those elements out of the regulatory framework. Then they built blockchain infrastructure to capture the stablecoin reserve yield for themselves.

The result is a regulatory framework that does not fight crypto. It domesticates it -- channels the most commercially valuable parts of the crypto ecosystem toward nationally chartered, federally regulated institutions that operate within the same compliance infrastructure as JPMorgan and Goldman Sachs. The yield prohibition that the ABA fought for does not eliminate stablecoin yield. It redirects it from retail consumers to institutional issuers -- the same institutions that the ABA represents.

For investors, the conclusion is specific. The banks did not write the rules to prevent crypto adoption. They wrote the rules to ensure that when crypto adoption reaches institutional scale, the value flows through institutions they control -- through OCC-chartered stablecoin issuers, through bank-affiliated custody providers, through nationally chartered blockchain settlement infrastructure. Position in the assets and infrastructure that the regulatory framework directs institutional value toward: USDC, Ethereum, Base, Solana, Chainlink, and the tokenized Treasury infrastructure that backs the stablecoin reserves the banking lobby made mandatory. The banks rigged the rules. Now position with the winners the rules created.

ABA sent 8000 letters. Banks spent \$56.7M lobbying. They banned stablecoin yield to consumers. Then they built their own stablecoins to capture the yield themselves. JPMorgan runs JPMD on Base. Fidelity launched FIDD. Circle has OCC charter. The banks did not fight crypto. They absorbed it and wrote the rules to make themselves the winners.